



2026 – 2027 Qualified Allocation Plan: Summary of Engagement and Proposed Changes Resulting from Public Comments

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This document outlines the additional proposed changes to the 2026 – 2027 Low-Income Housing Tax Credit Qualified Allocation Plan and 2025 – 2026 Multifamily Consolidated Request for Proposals funding priorities resulting from public comments.

Background

The Federal Tax Reform Act of 1986 established the Low-Income Housing Tax Credit (HTC) Program for qualified residential rental properties. The HTC Program is one of the principal federal subsidies contained within tax law for acquisition/substantial rehabilitation and new construction of affordable rental housing. Section 42 of the Internal Revenue Code (IRC) requires that state allocating agencies develop a Qualified Allocation Plan (QAP) for distribution of tax credits within their jurisdiction. Minnesota Housing's QAP describes how housing tax credits are distributed to multifamily rental projects. The QAP and the Self-Scoring Worksheet combine state and federally legislated requirements as well as priorities from Minnesota Housing's Strategic Plan. The QAP, which includes the Self-Scoring Worksheet, outlines the overall funding priorities for all the HTC funding rounds and annual Multifamily Consolidated Request for Proposals (RFP).

Minnesota Housing's public comment and public hearing process includes two stages. The first stage is designed to share initial ideas for changes and collect comments and questions. The feedback from this first public comment period is then used to identify areas of support, clarification, new ideas, or concerns. Staff evaluate and research all comments to propose additional changes to clarify or update language in the second release of the QAP. The second stage is the forum to share the results from the first stage and address any new items or changes.

On June 6, 2024, Minnesota Housing published the initial draft of the 2026-2027 QAP, Self-Scoring Worksheet, and Methodology Guide. The summary and initial drafts of the QAP, Self-Scoring Worksheet, and Methodology Guide can be found on Minnesota Housing's [Qualified Allocation Plan \(QAP\)](#) webpage.

The first public comment period took place June 6 – July 3, 2024. Minnesota Housing staff convened two engagement opportunities with stakeholders, including developers, local governments, and community based organizations. One of the engagement sessions was a public hearing, with 23 participants and four verbal comments.

During the public comment period, Minnesota Housing received a total of 28 letters with 110 distinct comments. Most comments were related to preservation, geography, enhanced sustainability, and innovative construction techniques.

Summary of Additional Proposed Changes

The following information is a summary of the proposed additional changes as a result of public comments, feedback, or modifications to state or federal law. Selection categories and criteria refer to sections in the previously released 2026 – 2027 Self-Scoring Worksheet.

Self-Scoring Worksheet

Selection Category 1: Greatest Need Tenant Targeting

- **Senior Housing:** Incorporate language that will require senior projects that agree to restrict the units to households with incomes at or below the county 30% MTSP income to align rents with the income restrictions. The rent requirement would be for any property that does not have rental assistance. This will ensure that the rents for the units remain affordable to households at the restricted income limit.
- **Permanent Supportive Housing for High Priority Homeless:**
 - Modify the name of the overall selection criteria to “Permanent Supporting Housing for People Experiencing Homelessness”.
 - Add a criterion for “Other Homeless” units (in addition to High Priority Homeless [HPH] units) to provide an option for primarily supportive housing projects that serve other homeless households. This will incentivize primarily supportive housing projects to increase the total number of homeless units.
- **People with Disabilities Tier 2:** Increase the total number of points for People with Disabilities (PWD) units that will use HUD Section 811 Project-Based Rental Assistance (PRA) to make Tier 2 projects more competitive by reducing the pointing differential between Tier 1 and Tier 2. This will increase the likelihood of applicants choosing to apply for HUD Section 811 PRA and increase usage of the HUD Section 811 PRA Program.

Selection Category 2: Serves Lowest Income for Long Durations

- **Preservation:**
 - Add language for the Risk of Loss Due to Critical Physical Needs threshold that modifies how distressed properties with negative cash flow will be analyzed. This will assist

distressed properties by allowing negative cash flow to offset reserves in the calculation of physical needs. This will expand eligibility and increase the number of projects that can meet threshold.

- Modify the pointing options for Tier 1 – Existing Federal Assistance. This change simplifies the scoring for the criterion and reduces the number of existing federally assisted units necessary to receive points, which will result in higher scores for Tier 1 projects.
- Add an additional question that would provide additional points based upon the severity of the Critical Physical Needs of the property. Projects with Critical Physical Needs greater than \$15,000 or \$25,000 per unit can receive additional points. This will increase the total points available to 45.
- **Rental Assistance:**
 - Added language to specify that Native American Housing Assistance and Self Determination Act (NAHSDA) funding is included in this criterion.
 - Clarify that Tribes and Tribal entities that provide rental assistance are included under this selection criterion and are not considered private Rental Assistance.

Selection Category 4: Supporting Community and Economic Development

- **Black-, Indigenous-, People of Color-owned Business Enterprises or Women-owned Business Enterprises:** Add Development Consultants to the Development Team so they are eligible to claim the points.

Selection Category 5: Efficient Use of Scarce Resources and Leverage

- **Other Contributions:** Reduce percentage requirements in each tier to increase the incentive for projects to pursue additional non-capital contributions. Further, reduce the percentage requirements to change the lowest Tier from 1-1.49% to 0.01-1.49%. The calculation is based on the total development. Reducing the percentage will make the points more attainable and incentivize the project to pursue additional non-capital contributions.

Selection Category 6: Building Characteristics

- **Innovative Construction Techniques:** We received several comments regarding Innovative Construction Techniques (ICT) being subjective and vague. Guidance is incorporated to provide additional information about ICT background and requirements.
- **Enhanced Sustainability:** Add two Passive House certification programs within Tier 4 of enhanced sustainability for rehabilitation projects.

QAP Proposed Changes

- Simplify the Carryover and Placed in Service (8609) Application submission requirements in Chapters 6 and 7 by creating a simplified table (Appendix A). This will address redundancies and clarify when documents are required.
- Modify Unacceptable Practices Language
 - Simplify and streamline the penalty language so the potential penalties are consistent for each unacceptable practice.
 - Administrative changes to language to ensure that it is clear and aligns with our current practice.
 - Add an unacceptable practice regarding violation of state or federal laws. This will apply to any new or existing state or federal requirements including prevailing wage and wage theft.
 - Updating the language to give discretion to Minnesota Housing to apply a less severe penalty, if appropriate, than the penalty set forth in prior QAPs.
 - More clearly identify the circumstances that could result in negative points